

February 7, 1973

SPEAKER: The motion is to bracket LB 197 for a week. Are there any objections to bracketing the bill for a week? There are none. So ordered. The bill is bracketed. We will move on to the General File consideration of Senator Goodrich's 247.

CLERK: Mr. President, the title on LB 247 has been read and the committee amendments have been adopted. The bill was laid over.

SPEAKER: The chair recognizes Senator Goodrich.

SENATOR GOODRICH: Mr. President and members of the body, you will recall that 247 is the bill that we took up yesterday and laid over till today. It deals with the depositing of funds, school districts NCD's and exempts those deposits from the pro rata provision of the regular statutory provision that those, like checking account funds, not time deposits, are prorated among the banks approved by the school district, Board of Education, in other words. The question that came up yesterday was what guarantee, for example, does a school district have if they deposit in certificates of deposit more than the amount, such as \$20,000, which is insured by FDIC on all bank accounts held by a bank if the bank is covered by FDIC, which all national banks are covered by FDIC and consequently that insurance provision would be included in every bank that was a national bank. A public body, for example, would not deposit funds in a bank that did not have insurance coverage, rest assured of that. But the other question that came up was what guarantee do they have over and above the insurance. The guarantee that they have is to the effect that there are two types of deposits as far as interest rate is concerned and one is, what we call, a negotiated rate. Public entities and anyone else can walk into a bank as long as they have \$100,000 or more and negotiate the rate with the bank and they can get any interest rate on that certificate of deposit that they can get the bank to agree to. They can, also, require in the negotiation for their rate pledged collateral by a bank. For example, if a bank happened to hold Treasury notes or other government securities, they can pledge those to the security of the deposit over and above the insurance amount which is \$20,000. For example, if it is \$100,000, they could have a \$20,000 insurance from FDIC and \$80,000 worth of pledged securities. So there is no problem as far as securities is concerned. In Nebraska, all public money that is deposited is usually deposited with the pledge of securities over and above the insurance account. In the state of Iowa, they do have a provision where this is not required. They have a trust arrangement whereby the state actually guarantees the other amount but in Nebraska we don't have it and all public money when it is deposited in a bank should be covered by pledged security over. If it goes over and above the amount of the insurance on the account. With that explanation, I would move that the bill be passed to E & R Initial.

SPEAKER: Is there any further discussion of the bill? Senator Nore, did you wish to be recognized, then Senator Barnett.

SENATOR NORE: I am afraid there is a problem there but I think as far as Iowa having a state guarantee fund, we did have that in Nebraska one time back in the 20's. In 1931, the banks closed and there was no money. So personally, I think it is alright to distribute this money. It eliminates the problem for the school officials to divide these funds up among the taxpayers, the taxpaying banks, and the communities if they pay any taxes. Usually the interest rates are in proportion to risk and I would preferably see it stay as it is.

SPEAKER: The chair recognizes Senator Barnett.

SENATOR BARNETT: Mr. Chairman, I wonder if Senator Goodrich